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SUBJECT: URUGUAY: HIGHLIGHTS OF PRESIDENT VAZQUEZ'S VISIT TO CHINA

Summary

¶1. President Vazquez made his first Presidential visit to China March 21-26, leading a delegation of ministers, government representatives and over fifty entrepreneurs. Vazquez's trip was the fifth presidential visit to China since both countries established diplomatic relations in 1988. During the visit, President Vazquez met President Hu Jintao, Prime Minister Wen Jiabao and President of the Permanent Committee of the National Assembly Wu Bangguo. Uruguay and China signed several cooperation agreements, a Memorandum of Understanding on Trade and Investment, and agreed to draft a Trade Promotion Agreement by late April. Among the private sector announcements, Chinese company Chery committed to expand its automotive assembly investment in Uruguay. Bilateral trade has soared in recent years, turning China into Uruguay's third largest trading partner. Since 2004, however, Uruguay has endured an ever-growing trade deficit with China. END SUMMARY.

The Agenda

¶2. President Vazquez made his first official visit to China March 21-26, accompanied by his ministers of Finance and Industry, the presidents of the Port Administration and the National Innovation Agency, the director of Uruguay's Meat Institute and over fifty private entrepreneurs. President Vazquez visited Beijing and Shanghai, and met President Hu Jintao, Prime Minister Wen Jiabao and President of the Permanent Committee of the National Assembly Wu Bangguo.

Overview of Agreements Signed

¶3. Uruguay and China signed a Memorandum of Understanding on Trade and Investment and agreed to draft a Trade Promotion Agreement by late April. Both governments also signed cooperation agreements on sports and on the environment and established a Joint Commission on Science and Technology to work on projects related to renewable energy, energy efficiency, agro-industry, biotechnology, information technologies and Antarctic research. China donated a port scanner and USD 1.5 million to fund bilateral projects. Prior to the trip, China had donated medical equipment for USD 2.5 million to Uruguay. The GOU invited the Chinese minister of science and technology to participate in the Second Innovation Forum of the Americas, to be held in Uruguay in May 2009.

Commercial Highlights

¶4. President Vazquez participated in a business event sponsored by the Chinese Council for Trade Promotion featuring over one hundred

Chinese firms. During the forum, Economy Minister Garcia underscored Uruguay's role as a logistics center for the Mercosur region. According to Minister of Industry Martinez, results of Uruguay's commercial outreach included the following: Chery -- a Chinese firm which is already producing cars in Uruguay -- committed to invest an additional \$12 million in its local plant. Chery also expressed interest in assembling a new cargo van in Uruguay, experimenting with cars fueled with alternative energies, and building a shipyard. Huawei Technologies donated data equipment worth \$0.5 million and announced the expansion of its current IT business oriented to e-government with a focus on the Mercosur region. SDIC and Chinatex, two Chinese firms that are the largest importers of Uruguayan wool, promised to keep purchasing wool and start buying wood and soy as well as invest in agro-industry. Uruguay announced its intention to stage a large beef restaurant in ExpoShanghai 2010.

Trade patterns

15. Uruguay's trade with China has soared in recent years -- from under \$300 billion in 2004 to over \$1 billion in 2008 -- turning China into Uruguay's third largest trading partner (surpassed only by neighbors Brazil and Argentina). At the same time, Uruguay's balance of trade with China has deteriorated sharply. After fairly balanced bilateral trade from 1988 through 2003, in 2008 Uruguay's trade imbalance with China reached \$735 million (as it exported goods for \$174 million and imported goods for \$909 million). That imbalance prompted Vazquez to refer during his trip to the need to re-balance bilateral trade. Uruguay's sales to China are largely soy and wool, for which China is Uruguay's largest buyer.

Comment: A rapidly expanding relationship

16. Uruguay's relationship with China has expanded significantly since the two countries established diplomatic relations in 1988. Since then, five Uruguayan presidents have visited Beijing (in 1988, 1993, 1997, 2002 and 2009) and two Chinese presidents have visited Uruguay (in 1990 and 2001). Common themes from those visits have been building cooperation, strengthening exchanges, and promoting trust and cooperation with the region. At least from a commercial standpoint, China's strategy appears to be bearing fruit in Uruguay.

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